

Quarterly Investment Update

As of September 30, 2020

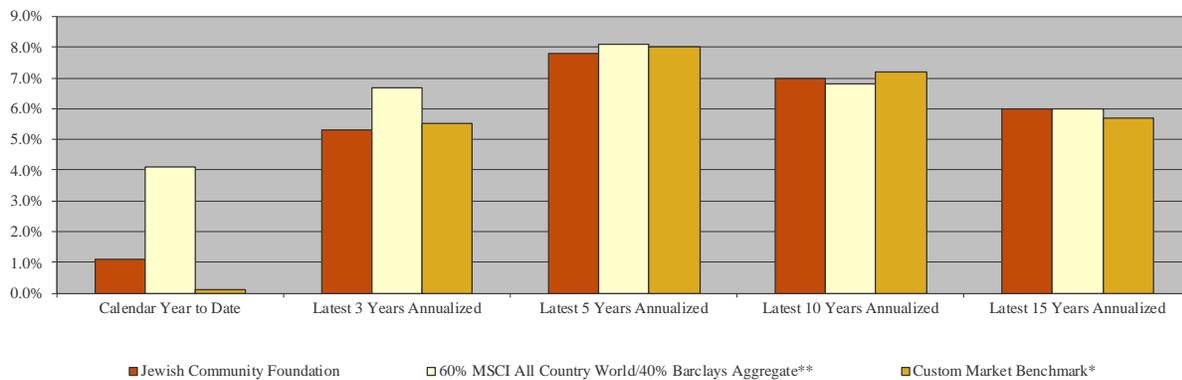
Overview: For the quarter ending September 30, markets continued their solid recovery. For most of the quarter, index gains were highly concentrated within a narrow group of technology and consumer stocks. There are two irreversible mistakes that even lengthy time horizons do not heal – unknowingly buying bad businesses or paying too much for even good or great businesses. Investors today are increasingly subject to the risk of falling prey to the latter.

The Foundation owns both quickly growing and significantly undervalued businesses with an emphasis on the latter. Over the past decade this approach has been challenged and there is a growing chorus of those who believe that value investing is dead or at least that it should be.

But investing, like life, is filled with ironies. In this case, the challenges of the COVID-19 pandemic have provided considerable insight into how businesses handle crisis, which in turn allows talented investors to buy resilient businesses at very low prices. At the same time, the strength of the argument against value investing has become the methodology’s greatest advantage, as we believe too many people have abandoned lower priced stocks and, in so doing, have created a class of investments with limited downside and significant return potential, which are a good part of the Foundation’s portfolio.

Total Assets in Pool: \$131.1 million across 25 investment managers

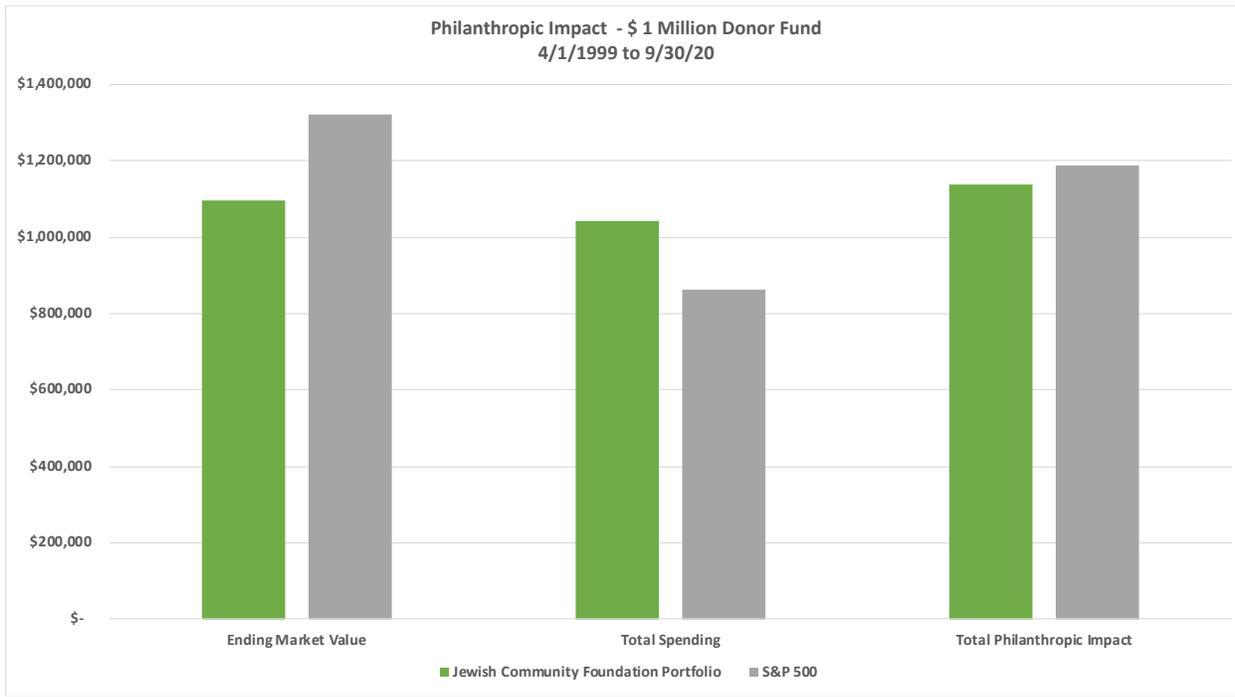
Aggregated Investment Performance



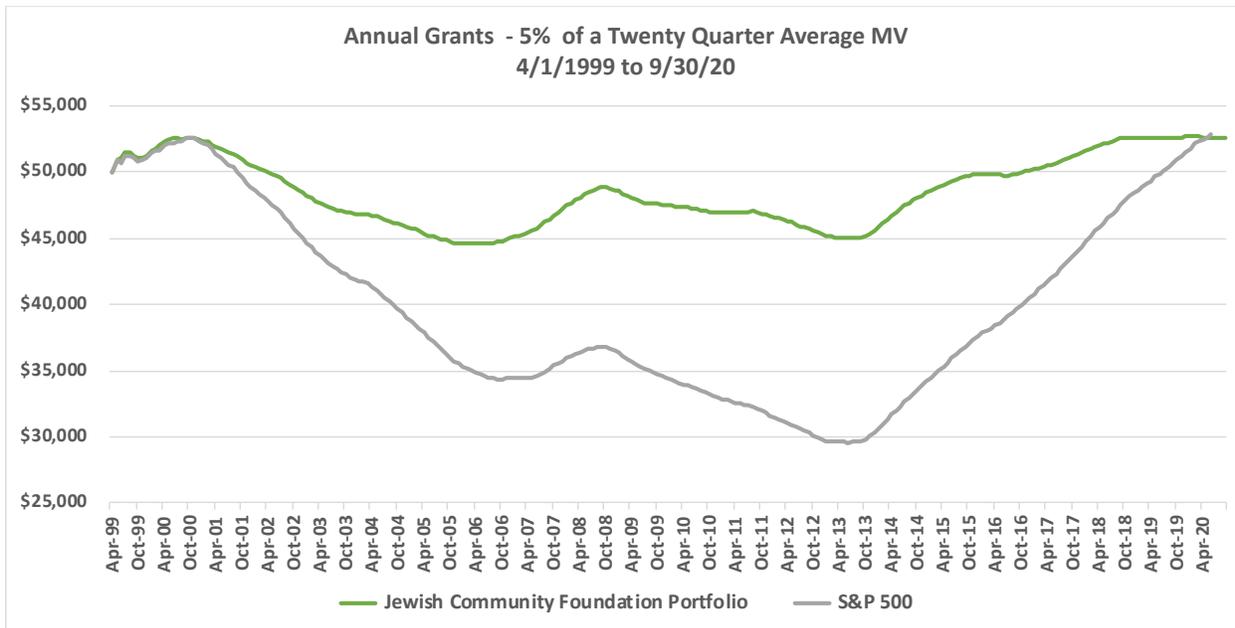
*Custom Market Benchmark reflects the portfolio’s strategic asset mix over time. Currently it consists of the following indices: 10% Barclays Capital Aggregate, 23% S&P 500, 8% Russell MidCap, 8% Russell 2000, 17% MSCI EAFE, 5% MSCI Emerging Markets, 7% MSCI AC World, 3% Merrill High Yield, 4% Citi World Government Bond Index, 5% Bloomberg Commodity Index, 3% Barclays US TIPS, 2% 90 Day T-Bills and 5% HFRI Fund of Funds.

** MSCI All Country World Index measures the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

As we enter a time of great economic dislocation and uncertainty, the long-term benefits of asset class diversification and its ability to serve philanthropy best over time become increasingly important. To illustrate the Foundation’s historical record, assume that a \$ 1 million fund is established in early 1999, which is the beginning of the performance data we track. We further assume that 5% of a 20-quarter average market value is distributed each year and that no new gifts are made to the Fund. Finally, we invest this fund in the Foundation’s portfolio and in the S&P 500 index.



The first group of columns reflects the fact that the S&P 500 outperformed the Foundation portfolio by approximately 32% cumulatively over this period. The middle set of bars shows that the S&P 500 invested fund generated less spending as lengthy bear markets took their toll on distributions. The final set of bars adds spending plus the growth of the Fund above the \$ 1 million initial value to reflect the total amount of philanthropic output. Despite its large return premium, the S&P 500 only produced 4% more impact. The graph below paints an even weaker picture as it provides the pattern of annual spending over time.



While strong and weak markets impact the Foundation’s distributions, the trend is quite steady and well aligned with effective philanthropy. In contrast, the S&P 500 portfolio produced a deeply disturbing pattern that includes long, steep declines. In aggregate, the Foundation portfolio, through a strategy designed to capture a large percentage of market gains while assuming appropriate amounts of risk, produced significantly more effective philanthropy.

Asset Allocation

Investment Objective: The Jewish Community Foundation invests its assets to maximize grantmaking to address current needs, while protecting long-term purchasing power for grantmaking in perpetuity. It is through a balanced approach that is sensitive to market opportunities and volatility over long time frames that this objective is best achieved.

Oversight: The Foundation's Board of Directors, advised by the Investment Committee of volunteer financial experts, and with consultation provided by Crewcial Partners LLC (name changed from Colonial Consulting, LLC).

